

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4426-06
Bill No.: SB 1300
Subject: Social Services Department; Public Assistance; Medicaid
Type: Original
Date: March 10, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	Unknown, greater than \$38,850	Unknown, greater than \$38,850	Unknown, greater than \$38,850
Total Estimated Net Effect on General Revenue Fund	Unknown, greater than \$38,850	Unknown, greater than \$38,850	Unknown, greater than \$38,850

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Federal*	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

*Savings and losses which are unknown, but greater than \$61,150 would net to \$0.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Labor and Industrial Relations** assume this proposal would not fiscally impact their agency.

Officials from the **Department of Health and Senior Services (DOH)** state this proposal would not be expected to fiscally impact the operations of the DOH. If a fiscal impact were to result, funds to support the program would be sought through the appropriations process.

Officials from the **Office of Attorney General** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials from the **Department of Mental Health (DMH)** state in the unlikely event a person would be admitted to a DMH facility who had been denied Medicaid eligibility because of putting assets into an annuity, there would be an expense to the DMH because the cost of care would be 100% rather than 40%.

DMH assumes this proposal is intended to primarily address persons receiving institutional physical health care in nursing facilities, which DMH does not operate or fund. DMH also assumes that the demographic and financial profiles for the majority of DMH consumers make it

ASSUMPTION (continued)

highly unlikely that any would be denied Medicaid eligibility because of putting assets into an annuity, or transferring asset into an annuity in the name of a family member. DMH assumes no fiscal impact.

Officials from the **Office of the Secretary of State (SOS)** state this proposal adds provisions regarding annuities of persons requesting medical assistance for long-term care cases. The Department of Social Services may promulgate rules to enact this legislation. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Social Services could require as many as 60 pages in the *Code of State Regulations*. For any given rule, roughly one-half again as many pages are published in the *Missouri Register* as are published in the Code because cost statements, fiscal notes and notices are not published in the Code. The estimated cost of a page in the *Missouri Register* is \$23.00. The estimated cost of a page in the *Code of State Regulations* is \$27.00. The actual costs could be more or less than the numbers given. The fiscal impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn. The SOS estimates the cost of this legislation to be \$2,952 in FY 05.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** state this proposal states that assets used for the purchase of an annuity shall be treated by the Department of Social Services (DOS) as an available resource with some exceptions. The exceptions are as follows: if the annuity was purchased more than five years prior to the individual entering long-term care facility, if the annuity is actuarially sound as measured against the Social Security Administration Life Expectancy Tables, if the annuity provides equal payments for its' duration and if the annuity provides Missouri with secondary or contingent beneficiary status in an amount equal to the Medicaid expenditure made on behalf of the individual.

The DMS states it has no way of determining the number of residents that would be affected by the new legislation. However, DMS assumes that the fiscal impact of a cost savings could exceed \$100,000. For instance, if this legislation results in just three residents being denied Medicaid eligibility or their Medicaid eligibility revoked, DMS would see a cost savings over \$100,000 (\$35,529*3). The average annual cost per recipient for Medicaid nursing facility care is \$35,529.

ASSUMPTION (continued)

DMS states it is possible that the new legislation only closes one loophole and residents might be able to find another loophole to retain or be accepted for Medicaid eligibility. If this occurs the DMS would not see any cost savings.

Officials from the **Department of Social Services - Division of Legal** services assume that the amount of hearings this change in law could generate can be absorbed by existing staff.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
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GENERAL REVENUE

Savings - Department of Social Services -
 Division of Medical Services

Program costs	<u>Unknown,</u> <u>greater than</u> <u>\$38,850</u>	<u>Unknown,</u> <u>greater than</u> <u>\$38,850</u>	<u>Unknown,</u> <u>greater than</u> <u>\$38,850</u>
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE**

<u>Unknown,</u> <u>greater than</u> <u>\$38,850</u>	<u>Unknown,</u> <u>greater than</u> <u>\$38,850</u>	<u>Unknown,</u> <u>greater than</u> <u>\$38,850</u>
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FEDERAL

Savings - Department of Social Services -
 Division of Medical Services

Program costs	Unknown, greater than \$61,150	Unknown, greater than \$61,150	Unknown, greater than \$61,150
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Loss - Department of Social Services -
 Division of Medical Services

Program Reimbursements	(Unknown, greater than \$61,150)	(Unknown, greater than \$61,150)	(Unknown, greater than \$61,150)
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**ESTIMATED NET EFFECT ON
 FEDERAL**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal prohibits the sheltering of certain assets by individuals in long-term care facilities.

Assets used for the purchase of an annuity shall be treated by the Department of Social Services as an available resource unless:

-the annuity was purchased more the 5 years prior to the individual entering a long-term care facility; or

-the annuity is actuarially sound as measured against the Social Security Administration Life Expectancy Tables; and

-the annuity provides equal payments for its' duration; and

-the annuity provides Missouri with secondary or contingent beneficiary status in an amount equal to the medicaid expenditure made on the individual's behalf.

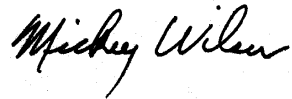
The Department shall have rule-making authority to implement this act.

In addition, the Department is required to enforce TEFRA liens on permanently institutionalized individuals, who the Department determines cannot reasonably be expected to be discharged and returned home.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Social Services
Department of Health and Senior Services
Department of Mental Health
Office of Attorney General
Secretary of State
Department of Labor and Industrial Relations

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
March 10, 2004